

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RIDER AMRP OF THE	)	CASE NO.
UNION LIGHT, HEAT AND POWER COMPANY	)	2002-00107

O R D E R

On October 7, 2002, the Commission issued an Order granting rehearing on the issue raised by The Union Light, Heat and Power Company ( ULH&P ) concerning the appropriate level of depreciation expense and accumulated depreciation to be included in the first Accelerated Mains Replacement Program ( AMRP ) Rider revenue requirement. The Commission approved the AMRP Rider mechanism in Case No. 2001-00092,<sup>1</sup> and established the first AMRP Rider in its August 30, 2002 Order in this proceeding. ULH&P provided additional information requested by the Commission and this case stands submitted for a decision.

In the August 30, 2002 Order, the Commission had excluded from the calculation of depreciation expense and accumulated depreciation amounts associated with three work orders that ULH&P had identified in its application as being less than 100 percent complete as of December 31, 2001. In its September 19, 2002 petition for rehearing, ULH&P requested that the Commission revise the depreciation calculation to include the first-year depreciation expense and the corresponding impact of the accumulated depreciation for the three work orders. ULH&P contended that while the work orders

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<sup>1</sup> Case No. 2001-00092, Adjustment of Gas Rates of The Union Light, Heat and Power Company.

were not 100 percent complete, the new mains installed and documented by the three work orders were used and useful in rendering service as of March 27, 2002, the filing date for this proceeding. ULH&P argued that, consistent with standard rate-making practice, the assets were used and useful and it was entitled to the first year depreciation expense on the three work orders. ULH&P determined that the first AMRP Rider revenue requirement should be increased by \$83,440.

In its October 7, 2002 Order, the Commission stated that as the first AMRP Rider dealt with the AMRP activity in calendar year 2001, the percentage of work order completion had to address the status of the projects as of December 31, 2001, not March 27, 2002. However, the Commission stated its agreement with the reasoning of ULH&P that activities such as site restoration could result in a work order being considered less than 100 percent complete. ULH&P was required to file additional accounting information in order to determine if the projects covered by the three work orders were eligible to be depreciated.

The Commission has reviewed the additional accounting information provided by ULH&P and finds that the projects covered by the three work orders are eligible for depreciation. ULH&P's documentation shows that the balances for the three work orders were transferred from Construction Work in Progress to Completed Construction Not Classified at December 31, 2001. The information also showed similar transfers of other work orders that had been listed in the first AMRP filing as 100 percent complete being accomplished on December 31, 2001.

The Commission has recalculated the first AMRP Rider revenue requirement to include the balances reported for the three work orders, and agrees with ULH&P that

the revenue requirement should be increased by \$83,440. Appendix A to this Order contains the AMRP Rider that reflects the revised revenue requirement. The allocation approach utilized in the August 30, 2002 Order was used to determine these rates. These rates should be applied for service rendered on and after the date of this Order. Appendix B to this Order contains the Commission's recalculation of the first AMRP Rider revenue requirement. Because the accumulated depreciation balances were incorporated into the annual AMRP Rider filing formats, Appendix C to this Order contains AMRP Form 3.0, Page 1, which has been revised to reflect the adjusted accumulated depreciation amounts.

Since the issuance of the August 30, 2002 Order in this proceeding, the Commission has discovered an error in that Order concerning the submission of future annual AMRP Rider filings. On page 16 of the Commission's August 30, 2002 Order, the Commission found that ULH&P's request to deviate from the requirements of Administrative Regulation 807 KAR 5:001, Section 8(2), was reasonable and it should be permitted to submit an original and 3 copies of its application. However, through an oversight, the Commission did not separately order this finding. Therefore, the Commission, on its own motion, amends the August 30, 2002 Order to permit ULH&P to file an original and 3 copies of its annual AMRP Rider filing in the future.

IT IS THEREFORE ORDERED that:

1. The revenue requirement for the first AMRP Rider shall be increased by \$83,400 to a total revenue requirement of \$874,901.

2. The AMRP Rider rates in Appendix A are approved for service rendered on and after the date of this Order.

3. ULH&P shall, within 20 days of the date of this Order, file its revised AMRP Rider tariff sheets setting forth the rates approved herein.

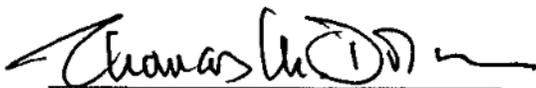
4. The August 30, 2002 Order is amended to grant ULH&P's request to deviate from Administrative Regulation 807 KAR 5:001, Section 8(2), and ULH&P shall file an original and 3 copies of future annual AMRP Rider filings.

5. All other provisions of the August 30, 2002 Order, as modified by the October 7, 2002 clarification, remain in effect.

Done at Frankfort, Kentucky, this 21<sup>st</sup> day of November, 2002.

By the Commission

ATTEST:

  
Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00107 DATED November 21, 2002

The following rates and charges are prescribed for the customers in the area served by The Union Light, Heat and Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

#### RIDER AMRP ACCELERATED MAIN REPLACEMENT PROGRAM RIDER

Rate RS, Residential Service	\$0.63 / month
Rate GS, General Service	\$2.76 / month
Rate DGS, Distributed Generation Service	\$0.00 / month
Rate FT-L, Firm Transmission Service Large	\$0.0045 / CCF
Rate IT, Interruptible Transportation Service	\$0.0018 / CCF
Rate SSIT, Spark Spread Interruptible Transportation Service	\$0.0000 / CCF

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2002-00107 DATED November 21, 2002

AMRP Rider Revenue Requirement

	<u>Investment Reflected in Base Rates</u>	<u>AMRP for 12-Months Ending 12/31/01</u>	<u>Cumulative AMRP to Date</u>
Return on Investment:			
Original Cost of Plant in Service			
Mains Cast Iron/Copper	4,142,000	(479,200)	(479,200)
Mains Steel	58,473,000	2,361,919	2,361,919
Mains Plastic	29,133,000	2,629,492	2,629,492
Services Cast Iron/Copper	3,059,000	(34,927)	(34,927)
Services Steel	3,388,000	(28,680)	(28,680)
Services Plastic	36,599,000	719,595	719,595
Meter Relocations	0	0	0
Customer Service Lines	<u>0</u>	<u>369,220</u>	<u>369,220</u>
A. Total Original Cost of Plant in Service	<u>134,794,000</u>	<u>5,537,419</u>	<u>5,537,419</u>
Accumulated Depreciation			
Mains Cast Iron/Copper	3,558,000	(479,200)	(479,200)
Mains Steel	19,377,000	11,885	11,885
Mains Plastic	3,235,000	48,307	48,307
Services Cast Iron/Copper	3,464,000	(53,890)	(53,890)
Services Steel	2,092,000	(46,770)	(46,770)
Services Plastic	13,475,000	(226,402)	(226,402)
Meter Relocations	0	0	0
Customer Service Lines	<u>0</u>	<u>13,329</u>	<u>13,329</u>
B. Total Accumulated Depreciation	<u>45,201,000</u>	<u>(732,741)</u>	<u>(732,741)</u>
C. Deferred Income Taxes Associated with Referenced Plant in Service			
Investment Tax Credit	17,746	0	0
Liberalized Depreciation	<u>52,062</u>	<u>0</u>	<u>0</u>
Net Rate Base for AMRP Purposes (A B C)	<u>89,523,192</u>	<u>6,270,160</u>	<u>6,270,160</u>
Authorized Rate of Return, adjusted for Income Taxes			
	<u>11.885%</u>	<u>11.885%</u>	<u>11.885%</u>
D. Return on AMRP Related Investment	<u>10,639,831</u>	<u>745,209</u>	<u>745,209</u>
Operating Expenses:			
Depreciation Expense			
Mains Cast Iron/Copper	169,000	0	0
Mains Steel	1,696,000	69,153	69,153
Mains Plastic	862,000	78,152	78,152
Services Cast Iron/Copper	43,000	0	0
Services Steel	117,000	0	0
Services Plastic	1,321,000	34,470	34,470
Meter Relocations	0	0	0
Customer Service Lines	0	13,329	13,329
Maintenance Expense Account 887	<u>1,400,193</u>	<u>(65,412)</u>	<u>(65,412)</u>
E. Total Operating Expenses	<u>5,608,193</u>	<u>129,692</u>	<u>129,692</u>
Total Annual Revenue Requirements (D + E)			
	<u>16,248,024</u>	<u>874,901</u>	<u>874,901</u>

APPENDIX B (continued)

Supporting Calculations for AMRP Rider Revenue Requirement Page 1

Work Order Reference	Project Start Depreciation Date	Costs for 12 First Year Month Period	Eligible Depreciation Expense	for Rate
Mains Plastic:				
A4299	July-01	12,090	12,090	2.96%
A4447	May-01	31,395	31,395	2.96%
A4582	September-01	148,283	148,283	2.96%
A4691	February-01	1,760	1,760	2.96%
A4692	May-01	52,118	52,118	2.96%
A4693	April-01	35,667	35,667	2.96%
A4734	May-01	28,558	28,558	2.96%
A4735	May-01	36,413	36,413	2.96%
A4736	May-01	26,431	26,431	2.96%
A4737	May-01	54,265	54,265	2.96%
A4738	May-01	74,180	74,180	2.96%
A4928	July-01	37,602	37,602	2.96%
A4929	May-01	24,563	24,563	2.96%
A4931	July-01	7,623	7,623	2.96%
A5002	June-01	5,975	5,975	2.96%
A5264	April-01	43,764	43,764	2.96%
A5277	May-01	21,894	21,894	2.96%
A5468 *	June-01	389,723	389,723	2.96%
A5469 *	June-01	421,276	421,276	2.96%
A5470 *	June-01	213,104	213,104	2.96%
A5725	July-01	715,343	715,343	2.96%
A5838	May-01	70,771	70,771	2.96%
A6074	June-01	1,486	1,486	2.96%
A6075	June-01	120,849	120,849	2.96%
A6351	September-01	22,567	22,567	2.96%
A6401	November-01	9,110	9,110	2.96%
A6649	November-01	25,797	25,797	2.96%
A7993	November-01	<u>7,636</u>	<u>7,636</u>	2.96%
Total Mains Plastic		2,640,243	<u>2,640,243</u>	
Less Retirement/Replacements				
A7131	September-01	<u>(10,751)</u>		
Net Total Mains Plastic		<u>2,629,492</u>		

APPENDIX B (continued)

Supporting Calculations for AMRP Rider Revenue Requirement Page 2

Work Order Reference	Project Start Depreciation Date	Costs for 12 First Year Month Period	Eligible Depreciation Expense	for Rate
Mains Steel:				
A5002	June 01	164,276	164,276	2.90%
A5277	May-01	327	327	2.90%
A5468 *	June-01	589,470	589,470	2.90%
A5469 *	June-01	1,259,506	1,259,506	2.90%
A5470 *	June-01	<u>370,996</u>	<u>370,996</u>	2.90%
Total Mains Steel		2,384,575	<u>2,384,575</u>	

Less Retirements/Replacements					
A7131	September-01	<u>(22,656)</u>			
Net Total Mains Steel		<u>2,361,919</u>			
Services Plastic:					
A5220	June-01	449,516	449,516		3.61%
A5272	May-01	<u>505,323</u>	<u>505,323</u>		3.61%
Total Services Plastic		954,839	<u>954,839</u>		
Less Retirements/Replacements					
78052	January-01	<u>(235,244)</u>			
Net Total Services Plastic		<u>719,595</u>			
Customer Service Lines Plastic:					
A5221	June-01	232,403	232,403		3.61%
A5273	May-01	<u>136,817</u>	<u>136,817</u>		3.61%
Total Customer Service Lines Plastic		<u>369,220</u>	<u>369,220</u>		

Notes: Work Orders A5468, A5469, and A5470 were not 100 percent complete as of December 31, 2001; however, the completed plant balance was transferred from Construction Work in Progress by December 31, 2001, so depreciation expense has been included.

As there were no beginning balances for Accumulated Depreciation for AMRP projects, the first year depreciation expense plus the impact of retirements and replacements equals the ending balances for Accumulated Depreciation. The use of the same depreciation rate for Services Plastic and Customer Service Lines Plastic is the same approach followed by ULH&P.

APPENDIX B (continued)

Other Retirements and Replacements

Supporting Calculations for AMRP Rider Revenue Requirement Page 3

<u>Work Order Reference</u>	<u>Project Start Date</u>	<u>Retire/Replace Costs for 12 Month Period</u>
Mains Cast Iron/Copper: A7131	September 01	(479,200)
Services Cast Iron/Copper: 78052	January-01	(34,927)
Services Steel: 78052	January-01	(28,680)

Notes: As there were no additions under the AMRP in these types of utility plant, only the Retirements and Replacements are included in the determination of the utility plant in service for the AMRP Rider Revenue Requirement.

In addition, as there were no beginning balances for Accumulated Depreciation for these AMRP projects related to removals, the impact of the retirements and replacements equals the ending balances for Accumulated Depreciation.



## APPENDIX C

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00107 DATED November 21, 2002

#### AMRP RIDER ANNUAL FILING REPORTS

Appendix C of the Commission's August 30, 2002 Order contained the Annual Filing Reports to be submitted by ULH&P in future years. The decision contained in this Order impacts the amounts shown on the Form listed below. ULH&P will use this revised Form when making its Annual AMRP Rider Filing. ULH&P will not modify any filing format without prior consent of the Commission Staff.

AMRP Form 3.0

Accumulated Depreciation and Depreciation  
Expense Through AMRP  
Page 1 Calculation of Accumulated Depreciation

**THE UNION LIGHT, HEAT AND POWER COMPANY**  
**ANNUAL AMRP RIDER FILING**  
**For the 12 Months Ending {Date}**  
**Accumulated Depreciation and Depreciation Expense Through AMRP**

Calculation of Accumulated Depreciation:

Depreciable Plant in Service	Beginning AMRP Accumulated Depreciation Balance	Net Depreciation Expense for Current 12 Months	Adjustments Due to Retirement or Replacement	Ending AMRP Accumulated Depreciation Balance
Mains Cast Iron/Copper	(479,200)			
Mains Steel	11,885			
Mains Plastic	48,307			
Services Cast Iron/Copper	(53,890)			
Services Steel	(46,770)			
Services Plastic	(226,402)			
Meter Relocations	0			
Customer Service Lines	13,329			
Totals	(732,741)			

The balances shown for AMRP accumulated depreciation will be shown on this schedule. The amounts shown for Net Depreciation Expense for Current 12 Months will be shown on AMRP Form 3.0, Page 2. ULH&P will maintain supporting documentation to support any cost shown on this schedule. Additional pages may be required for this supporting schedule.